

Canada's Top Pension Funds Invest in Corporations Profiting from Military- and "Homeland Security"-related contracts with Israel

Company	Country	Canada Pension Plan ¹ (In millions of \$Cdn)		Ontario Teachers Pension Plan	Quebec Pension Plan	Public Sector Pension Investments	Ontario Municipal Employees	2012 Totals
		2011 (Direct holdings only)	2012 ² (Direct and indirect holdings)					
		2012 ³ (In millions of \$Cdn) (Direct holdings only)						
3M Co.	USA	7	60	185.8	68.1	19.1	13.1	346.1
Amdocs	Guernsey	13	7				0.8	7.8
Analog Devices Inc.	USA	12	16	1.7	10.8	3.4	2.2	34.1
AT&T Inc.	USA	120	255	15.8	24.7	64.2	43.4	403.1
BAE Systems	UK	1	30					30.0
Bank Hapoalim	Israel	8	7					7.0
Bezeq	Israel	9	6					6.0
Bharat Electronics	India	1	1					1.0
CAE ⁴	Canada	25	16		25.7	42.8		84.5
Carlyle Group ⁵	USA	75	71					71.0
Caterpillar Inc.	USA	3	36	7.9	65.0	17.0	12.0	137.9
Cellcom Israel Ltd.	Israel	3	1					1.0
Cemex Sab Cpo	Mexico	15						
Cisco Systems Inc.	USA	52	159	80.9	114.1	28.2	30.4	412.6
CRH PLC	Ireland	15	17					17.0
Daewoo Eng. & Const.	South Korea	3	2					2.0
Daimler AG	Germany	3						
Delek Group	Israel	2	1			5.7		6.7
Dell Inc.	USA	19	64	15.5	19.5		3.3	102.3
Discount Investment Corp	Israel	1						
Doosan Corp.	South Korea	3	3			4.1		7.1
Eaton Corp.	USA	2	6	2.0	13.4		3.3	24.7
Elbit Systems Ltd.	Israel	2	2		1.1			3.1
EMC Corp.	USA	18	64		73.5	16.5		154
Evrast Group SA	Luxembourg	1	6					6.0
Fiat Industrial SpA ⁶	Italy	17						
Fiat SpA	Italy	6	37					37.0
Finmeccanica SpA	Italy	17	10					10.0
Fujitsu	Japan	24	26					26.0
Hewlett Packard	USA	64	80	29.1	41.5	12.2	7.1	169.9
Hitachi Ltd.	Japan	54	73					73.0
Honeywell International	USA	2	9	6.3	48.7	13.4	7.7	85.1
Hyundai Heavy Industries	South Korea	45	30					30.0
Hyundai Motor Co. ⁷	South Korea	53	73					73.0
Intel Corp.	USA	53	205	86.5	139.7	304.8	38.6	774.6
Israel Corp.	Israel	5	3					3.0
Israel Discount Bank	Israel	2	2					2.0
ITT Corp.	USA	1	333				0.3	333.3
Koninklijke DSM NV	Netherlands	7	46					46.0
Kubota Corp.	Japan	13	13					13.0
Leumi Le Israel	Israel	11	9					9.0
Lockheed Martin	USA	5	78			7.1	4.0	89.1
Microsoft	USA	105	367	120.8	246.9	70.2	107.8	912.7
Mitsubishi Motors Corp	Japan	8	11					11.0
Mizrahi Tefahot Bank	Israel	3	78					78.0
Motorola Solutions	USA	2	15	2.8	14.3	4.3	3.4	39.8
Navistar International	USA	8					0.3	0.3
NetApp Inc.	USA	20	21	1.7	19.5	3.5	2.1	47.8
NICE Systems Ltd. ⁸	Israel	5	44					44.0
Oracle Corp.	USA	1	143	67.1	147	35.4	78.9	471.4
Parker Hannifin Corp	USA	2	30	1.7	11.5	3.6	3.0	49.8
Partner Communications	Israel	3	1					1.0
Paz Oil Co. Ltd.	Israel	1	1					1.0
Renault SA	France	19	39					39.0
Rockwell Collins	USA	6	4	90.7	8.8	2.2	1.3	107.0
Rolls Royce	UK	22	17					17.0
Siemens AG	Germany	13	15					15.0
Sony Corp.	Japan	57	42					42.0
Tata Motors	India	9	2					2.0
Texas Instruments Inc.	USA	31	37	14.0	29.6	10.1	6.5	97.2
Toyota Motor Corp.	Japan	170	197					197
TE Connectivity	Switzerland	7	14	2.7	14.2	4.2		35.1
Tyco International Ltd.	Switzerland	60	66	3.8	28.7	13.5	4.3	116.3
Valero Energy Corp.	USA	3	32	2.0	14.6	4.1	4.9	57.6
VeriSign Inc.	USA	66	56	6.5	6.6		1.2	70.3
Verizon Communications	USA	55	159		148.4	38.8	26.0	372.2
VMWare Inc.	USA	4	20				13.1	33.1
Volvo	Sweden	40						
Totals		1,512	3,268	745.3	1,335.9	728.4	419.0	6,496.6

References and Notes:

1. Data on all CPP holdings (except CAE and Carlyle Group) is from the CPP Investment Board (CPPIB) "Foreign Publicly-Traded Foreign Holdings," March 31, 2011, and March 31, 2012.
www.cppib.ca/files/PDF/Foreign_PublicEquityHoldings_March_312011.pdf
www.cppib.ca/files/F2012_-_YE/Publicly-Traded_Equity_Holdings_-_FGN_-_March_31_2012_-_Eng.pdf
2. With its 2012 annual report, the CPPIB stopped disclosing data on the CPP's *direct* investments. All CPP figures now combine *direct and indirect* investments. As the CPPIB notes: "This year and going forward, in addition to physical equity positions, the public equity disclosure lists include exposures obtained through index securities, swaps and other derivative instruments. The net long positions are reported to provide a more complete view of our economic equity exposure to individual company names." Although the CPPIB claims this new method is "more complete," it leaves out all data on the CPP's direct investments. This impacts Canadians wishing to tell the CPPIB to follow its own lax policies on "responsible investing." As Brigid Barnett, the CPPIB's "Responsible Investing Manager," remarked in an email to this author: "It was never intended that our Policy on Responsible Investing would deal with these passive, indirect exposures and the Policy has never been applied in this manner" (July 10, 2012).
3. Data for these four pension funds are from their form 13F filings with the US Security and Exchange Commission (SEC) for June 30, 2012:
Ontario Teachers Pension Plan
www.sec.gov/Archives/edgar/data/937567/0000903423-12-000397.txt
Quebec Pension Plan
www.sec.gov/Archives/edgar/data/898286/0001140361-12-036572.txt
Public Sector Pension Investments
www.sec.gov/Archives/edgar/data/1396318/0001193125-12-355953.txt
Ontario Municipal Employees Retirement System
www.sec.gov/Archives/edgar/data/1053321/000106299312002756/0001062993-12-002756.txt
Figures from these US SEC filings were converted to Canadian dollars (using the June 29, 2012, exchange rate) and were then rounded to the nearest \$100,000.
4. Sources for CPP holdings in CAE are the CPPIB's "Canadian Publicly-Traded Equity Holdings," Mar. 31, 2011, and Mar. 31, 2012.
www.cppib.ca/files/PDF/CDN_PublicEquityHoldings_March_312011.pdf
www.cppib.ca/files/F2012_-_YE/Publicly-Traded_Equity_Holdings_-_CDN_-_March_31_2012_-_Eng.pdf
5. Sources for CPP investments in Carlyle Group are CPPIB's "Private Equity Funds Commitments," June 30, 2011, and March 31, 2012.
www.cppib.ca/Investments/Our_Investment_Partners/Funds_and_Secondaries_Partners/fund_commitments.html
www.cppib.ca/files/F2013/Q1_F13_Financial_Docs/Website_Disclosure_-_Q1_F2013_english_%28FS%29_rev.pdf
6. Direct investments by CPP in 2011 included \$16 million in Fiat Industrial SpA "Preferred" and \$1 million in Fiat Industrial Spa "Common" shares.
7. The CPP's direct investments in 2011 included \$6 million in Hyundai Motor Co. "Preferred" and \$47 million in Hyundai Motor Co. "Common" shares.
8. In 2011, the CPP's direct investments in NICE were split between NICE Systems (ADR) (\$4 million) and NICE Systems Common (\$1 million).

Intel Corp.

Canada Pension Plan Investments

2012 shares = \$205 million
(Direct & Indirect Investments)

2011 shares = \$53 million
(Direct investments only)

This US firm, with annual revenues of US\$54-billion, is the world's largest designer/maker of semiconductor computer chips. While the ubiquitous use of x86 microprocessors means the world's electronics are riddled with Intel products, the "Intel Inside" sticker campaign has made Intel a household name.

Inside Israel's Military

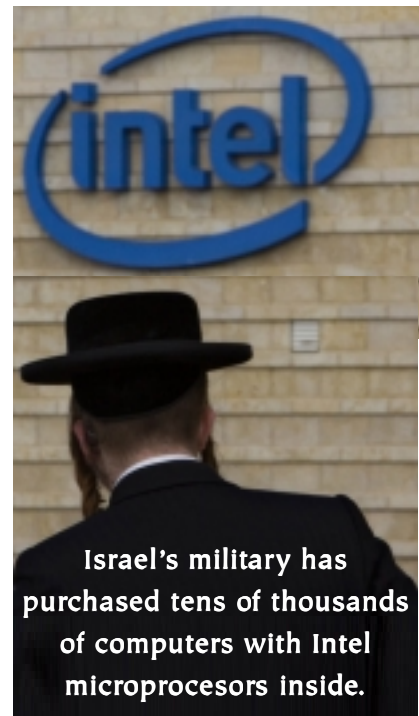
Although this dependency is usually left unstated when Israeli military contracts are reported, Intel's importance in such sales occasionally surfaces. When IBM won a second successive computer contract "to supply servers to Israel's Ministry of Defense," *Globes* said the "servers IBM will supply will be based on x86 architecture processors." This three-year, \$20-30 million tender, said Israel's business paper, is "one of the most prestigious in Israel." IBM, which then "led the Israeli market," sold "15,000 units of x86 processor-based servers, taking a market share of about 27%, very largely thanks to the Ministry of Defense win." This 2007 deal was financed by US military aid.

And, when Dell was the "big winner" of a contract to sell 50,000 computers to Israel's military, *Globes* said Dell would "supply the government with laptops using Intel processors." (See previous issue, pp.24-25.)

The Intel-Israel Connection

But Intel's links to Israel are not limited to such huge military contracts. Many if not most of Intel's products, including its x86 processors, were also designed and produced in Israel.

Intel invested US\$9.5 billion in Israel and has built two "fab" (fabrication) plants and four R&D centers there, employing 8,000 Israelis. Intel is Israel's largest private-sector employer and exporter. With exports of US\$22.4 billion since 1999, Intel Israel accounts for 10% of Israel's industrial exports.



Israel's military has purchased tens of thousands of computers with Intel microprocessors inside.

As Maxine Fassberg, Intel Israel's general manager and an Intel Corp. VP explains, "Intel Israel is at the core of the global company, with a central role in developing new products." This pivotal role is not new. In 1974, Intel's first R&D center outside the US, was set up in Haifa. Then, in 1985, Intel built a microprocessor and memory-chip fab centre in Jerusalem. It was Intel's first such centre outside the US.

Intel has also invested heavily in Israeli companies, and 64 start ups have received Intel's cash infusions since 1998, including those serving military, intelligence and surveillance industries. Most interesting among these may be Narus — now one of Israel's leading spy companies — which manufactures mass surveillance products. (See previous issue, pp.43-47.)

The Israeli government has rewarded Intel's investments with generous tax breaks and about US\$1.4 billion in grants. Intel's most lucrative cash cow is its chip foundry in Qiryat Gat, just 30 kms from Gaza. Within a year of its 1999 opening, it accounted for US\$1.3 billion of Intel Israel's US\$2 billion in exports. Known in Intel jargon as "Fab 18," the company's second-largest plant outside the US is "regarded as the most advanced chip manufacturing plant in the world."

While Intel spent over US\$5 billion to upgrade "Fab 18," Israel's government has chipped in US\$678 million. This is controversial in Israel, says the Media Line news agency, because